

House File 2579 - Introduced

HOUSE FILE _____
BY COMMITTEE ON HUMAN RESOURCES
(SUCCESSOR TO HF 2294)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to individual development accounts authorized for
2 certain individuals with low income and providing effective
3 and applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 6334HV 82
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1 1 Section 1. Section 422.7, subsection 28, paragraph b, Code
1 2 Supplement 2007, is amended to read as follows:
1 3 b. The amount of any savings refund or state match
1 4 payments authorized under section 541A.3, subsection 1.
1 5 Sec. 2. Section 541A.1, subsection 2, Code 2007, is
1 6 amended to read as follows:
1 7 2. "Administrator" means the division of community action
1 8 agencies of the department of human services rights.
1 9 Sec. 3. Section 541A.1, Code 2007, is amended by adding
1 10 the following new subsection:
1 11 NEW SUBSECTION. 5A. "Household income" means the annual
1 12 household income of an account holder or prospective account
1 13 holder, as determined in accordance with rules adopted by the
1 14 administrator.
1 15 Sec. 4. Section 541A.2, subsection 4, paragraph a, Code
1 16 2007, is amended by adding the following new subparagraphs:
1 17 NEW SUBPARAGRAPH. (7) A purpose approved in accordance
1 18 with rule for a refugee individual development account.
1 19 NEW SUBPARAGRAPH. (8) Purchase of an automobile.
1 20 NEW SUBPARAGRAPH. (9) Purchase of assistive technology,
1 21 home or vehicle modification, or other device or physical
1 22 improvement to assist an account holder or family member with
1 23 a disability.
1 24 NEW SUBPARAGRAPH. (10) Other purpose approved in
1 25 accordance with rule that is intended to move the account
1 26 holder or a family member toward a higher degree of
1 27 self-sufficiency.
1 28 Sec. 5. Section 541A.2, subsection 10, Code 2007, is
1 29 amended to read as follows:
1 30 10. The total amount of sources of principal which may be
1 31 in an individual development account shall be limited to fifty
1 32 thirty thousand dollars.
1 33 Sec. 6. Section 541A.3, Code 2007, is amended to read as
1 34 follows:
1 35 541A.3 INDIVIDUAL DEVELOPMENT ACCOUNTS == REFUND STATE
2 1 MATCH AND TAX PROVISIONS.
2 2 All of the following state match and tax provisions shall
2 3 apply to an individual development account:
2 4 1. a. Payment by the state of a state savings refund
2 5 match on amounts of up to two thousand dollars per calendar
2 6 year that an account holder deposits in the account holder's
2 7 account. To be eligible to receive a state match an account
2 8 holder must have a household income that is equal to or less
2 9 than two hundred percent of the federal poverty level.
2 10 b. Moneys transferred to an individual development account
2 11 from another individual development account and a savings
2 12 refund state match received by the account holder in
2 13 accordance with this section shall not be considered an
2 14 account holder deposit for purposes of determining a savings
2 15 refund state match.
2 16 c. Payment of a savings refund state match either shall be

2 17 made directly to the account holder or to an operating
2 18 organization's central reserve account for later distribution
2 19 to the account holder in the most appropriate manner as
2 20 determined by the administrator.

2 21 d. The Subject to the limitation in paragraph "a", the
2 22 state savings refund match shall be the indicated percentage
2 23 of equal to one hundred percent of the amount deposited+ by
2 24 the account holder. However, the administrator may limit,
2 25 reduce, delay, or otherwise revise state match payment
2 26 provisions as necessary to restrict the payments to the
2 27 funding available.

2 28 a. For an account holder with a household income, as
2 29 defined in section 425.17, subsection 6, which is one hundred
2 30 fifty percent or less of the federal poverty level,
2 31 twenty-five percent.

2 32 b. For an account holder with a household income which is
2 33 more than one hundred fifty percent but less than one hundred
2 34 seventy-five percent of the federal poverty level, twenty
2 35 percent.

3 1 c. For an account holder with a household income which is
3 2 one hundred seventy-five percent or more but not more than two
3 3 hundred percent of the federal poverty level, fifteen percent.

3 4 d. For an account holder with a household income which is
3 5 more than two hundred percent of the federal poverty level,
3 6 zero percent.

3 7 2. Income earned by an individual development account is
3 8 not subject to state tax, in accordance with the provisions of
3 9 section 422.7, subsection 28.

3 10 3. Amounts transferred between individual development
3 11 accounts are not subject to state tax.

3 12 4. The administrator shall work with the United States
3 13 secretary of the treasury and the state's congressional
3 14 delegation as necessary to secure an exemption from federal
3 15 taxation for individual development accounts and the earnings
3 16 on those accounts. The administrator shall report annually to
3 17 the governor and the general assembly concerning the status of
3 18 federal approval.

3 19 5. 4. The administrator shall coordinate the filing of
3 20 claims for a state savings refunds match authorized under
3 21 subsection 1, between account holders, and operating
3 22 organizations, and the department of administrative services.
3 23 Claims approved by the administrator may be paid by the
3 24 department of administrative services to each account holder,
3 25 for an aggregate amount for distribution to the holders of the
3 26 accounts in a particular financial institution, or to an
3 27 operating organization's central reserve account for later
3 28 distribution to the account holders depending on the
3 29 efficiency for issuing the refunds state match payments.
3 30 Claims shall be initially filed with the administrator on or
3 31 before a date established by the administrator. Claims
3 32 approved by the administrator shall be paid from the general
3 33 fund of the state in the manner specified in section 422.74
3 34 individual development account state match fund.

3 35 Sec. 7. Section 541A.5, Code 2007, is amended to read as
4 1 follows:
4 2 541A.5 RULES.
4 3 1. The administrator commission on community action
4 4 agencies created in section 216A.92A, in consultation with the
4 5 department of administrative services, shall adopt
4 6 administrative rules to administer this chapter.

4 7 2. a. The rules adopted by the administrator commission
4 8 shall include but are not limited to provision for transfer of
4 9 an individual development account to a different financial
4 10 institution than originally approved by the administrator, if
4 11 the different financial institution has an agreement with the
4 12 account's operating organization.

4 13 b. The rules for determining household income may provide
4 14 categorical eligibility for prospective account holders who
4 15 are enrolled in programs with income eligibility restrictions
4 16 that are equal to or less than the maximum household income
4 17 allowed for payment of a state match under section 541A.3.

4 18 c. Subject to the availability of funding, the commission
4 19 may adopt rules implementing an individual development account
4 20 program for refugees. Rules shall identify purposes approved
4 21 for withdrawals to meet the special needs of refugee families.

4 22 3. The administrator shall utilize a request for proposals
4 23 process for selection of operating organizations and approval
4 24 of financial institutions.

4 25 Sec. 8. Section 541A.6, Code 2007, is amended to read as
4 26 follows:
4 27 541A.6 COMPLIANCE WITH FEDERAL REQUIREMENTS.

4 28 The ~~administrator~~ commission on community action agencies
4 29 shall adopt rules for compliance with federal individual
4 30 development account requirements under the federal Personal
4 31 Responsibility and Work Opportunity Reconciliation Act of
4 32 1996, } 103, as codified in 42 U.S.C. } 604(h), under the
4 33 federal Assets for Independence Act, Pub. L. No. 105=285,
4 34 Title IV, or with any other federal individual development
4 35 account program requirements, ~~as necessary for the state to~~
5 1 ~~qualify to use federal temporary assistance for needy families~~
5 2 ~~block grant funding or other available for drawing federal~~
5 3 ~~funding for allocation to operating organizations.~~ Any rules
5 4 adopted under this section shall not apply the federal
5 5 individual development account program requirements to an
5 6 operating organization which does not utilize federal funding
5 7 for the accounts with which it is connected or to an account
5 8 holder who does not receive temporary assistance for needy
5 9 families block grant or other federal funding.

5 10 Sec. 9. NEW SECTION. 541A.7 INDIVIDUAL DEVELOPMENT
5 11 ACCOUNT STATE MATCH FUND.

5 12 1. An individual development account state match fund is
5 13 created in the state treasury under the authority of the
5 14 administrator. Notwithstanding section 8.33, moneys
5 15 appropriated to the fund shall not revert to any other fund.
5 16 Notwithstanding section 12C.7, subsection 2, interest or
5 17 earnings on moneys deposited in the fund shall be credited to
5 18 the fund.

5 19 2. Moneys available in the fund for a fiscal year are
5 20 appropriated to the administrator to be used to provide the
5 21 state match for account holder deposits in accordance with
5 22 section 541A.3. At least eighty=five percent of the amount
5 23 appropriated shall be used for state match payments and the
5 24 remainder may be used for administrative costs.

5 25 Sec. 10. INDIVIDUAL DEVELOPMENT ACCOUNT RULES ==
5 26 TRANSITION, EFFECTIVE DATE, AND APPLICABILITY.

5 27 1. The division of community action agencies of the
5 28 department of human rights shall administer individual
5 29 development accounts in accordance with the administrative
5 30 rules pertaining to the accounts in 441 IAC ch. 10, in place
5 31 of the department of human services until replacement
5 32 administrative rules are adopted. The commission on community
5 33 action agencies may adopt emergency rules under section 17A.4,
5 34 subsection 2, and section 17A.5, subsection 2, paragraph "b",
5 35 to implement the provisions of this Act and the rules shall be
6 1 effective immediately upon filing unless a later date is
6 2 specified in the rules. Any rules adopted in accordance with
6 3 this subsection shall also be published as a notice of
6 4 intended action as provided in section 17A.4.

6 5 2. This Act, being deemed of immediate importance, takes
6 6 effect upon enactment.

6 7 3. The change from "savings refund" to "state match" as
6 8 authorized in section 422.7, subsection 28, and section
6 9 541A.3, as amended by this Act, is retroactively applicable to
6 10 January 1, 2008, for the tax year commencing on January 1,
6 11 2008.

6 12 EXPLANATION

6 13 This bill relates to individual development accounts
6 14 authorized for certain individuals with low income.

6 15 Under current law in Code chapter 541A, the department of
6 16 human services administers the accounts through operating
6 17 organizations who certify the accounts. Account holder
6 18 deposits may be matched by operating organizations, federal
6 19 individual development account funding, and state savings
6 20 refunds providing a state match for the deposits of account
6 21 holders with family incomes of 200 percent or less of the
6 22 federal poverty level. The state savings refund amount ranges
6 23 from 15=25 percent of account holder deposits, depending on
6 24 income. Interest and earnings on the accounts and the
6 25 deposits made to an account by others is exempt from state
6 26 income tax. Withdrawals from an account must be approved by
6 27 the operating organization for one of the following approved
6 28 purposes: higher education costs, training programs, purchase
6 29 of a primary residence or improvements to such residence,
6 30 capitalization of a small business start=up, or certain
6 31 emergency medical costs.

6 32 The bill makes a number of changes to the requirements for
6 33 individual development accounts. New approved purposes for
6 34 using the accounts are provided authorizing purchase of an
6 35 automobile, purchase of assistive technology to assist an
7 1 account holder or family member with a disability, or for
7 2 other purposes approved in rule. The maximum amount of
7 3 deposits of principal to an account is reduced from \$50,000 to

7 4 \$30,000. Administration of the program is moved from the
7 5 department of human services to the division of community
7 6 action agencies of the department of human rights.
7 7 Requirements for household income determinations and other
7 8 procedures for the accounts are required to be adopted in rule
7 9 by the commission on community action agencies. The division
7 10 is required to utilize a request for proposals process for
7 11 selection of operating organizations and approval of financial
7 12 institutions.

7 13 The bill includes a temporary authorization for operation
7 14 of the accounts in accordance with the rules adopted by the
7 15 department of human services until replacement rules are
7 16 adopted. The commission may adopt the replacement rules using
7 17 emergency procedures which forego public comment and review by
7 18 the administrative rules review committee.

7 19 The state savings refund is changed to a state match and is
7 20 increased to 100 percent of account holder deposits. The
7 21 current state match limit of a percentage of account holder
7 22 deposits of up to \$2,000 per calendar year is charged with an
7 23 overall limit of \$2,000. If funding is available the
7 24 commission may authorize implementing refugee accounts with
7 25 withdrawals approved for the special needs of refugee
7 26 families. Code section 422.7, providing for adjustments to
7 27 income for purposes of determining net income under the state
7 28 income tax, is amended to include a reference to state match
7 29 payments in the exemption provision relating to individual
7 30 development accounts. The provisions of the bill referencing
7 31 the state match payment are retroactively applicable to
7 32 January 1, 2008, for the tax year beginning on that date.

7 33 An individual development account state match fund is
7 34 created in new Code section 541A.7 with a standing
7 35 appropriation of any moneys available in the fund to the
8 1 division for payments of state matches. The administrator is
8 2 authorized to revise the match payment provisions as necessary
8 3 to restrict payments to the funding available. A requirement
8 4 for the program administrator to work with the federal
8 5 government and the state's congressional delegation to secure
8 6 federal tax exemption for the accounts and account earnings
8 7 and to report annually is repealed. A portion of any
8 8 appropriations from the fund may be used for administrative
8 9 costs.

8 10 The bill takes effect upon enactment.

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